

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
INTERMOUNTAIN GAS COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES FOR)
SERVICE)**

CASE NO. INT-G-03-1

NOTICE OF APPLICATION

**NOTICE OF PUBLIC
WORKSHOPS AND
HEARINGS**

**NOTICE OF MODIFIED
PROCEDURE**

**NOTICE OF COMMENT
DEADLINE**

ORDER NO. 29242

On May 7, 2003, Intermountain Gas Company (Intermountain; Company) filed its annual Purchased Gas Cost Adjustment (PGA) Application with the Idaho Public Utilities Commission for authority to place into effect new rate schedules that will result in an overall increase of approximately \$61 million (37.76%) in revenues. The Company supplies natural gas to approximately 200,000 customers in southern Idaho. The Company has requested an effective date of July 1, 2003 for its proposed rate schedules.

In this Order the Commission schedules public workshops and hearings and orders the Company's Application be processed by Modified Procedure under the Commission's Rules of Procedure. IDAPA 31.01.01.201-.204.

THE APPLICATION

YOU ARE HEREBY NOTIFIED that the proposed \$61 million revenue increase Intermountain Gas seeks with its Application to pass through to each of its customer classes reflects changes in gas related costs resulting from: (1) changes in Intermountain Gas' firm transportation and storage costs resulting from the Company's management of its storage and firm capacity rights on pipeline systems including the Williams Northwest Pipeline ("Williams")

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or “Northwest”); (2) an increase in Intermountain Gas’ weighted average cost of gas (“WACOG”); (3) an updated customer allocation of gas related costs pursuant to the Company’s purchased gas cost adjustment provision; and (4) the inclusion of temporary surcharges and credits for one year relating to gas and interstate transportation costs from the Company’s deferred gas account. Application at 3-4. Intermountain Gas also seeks with its Application to eliminate the temporary surcharges and credits included in its current prices during the past 12 months. *See* Case No. INT-G-02-3. The aforementioned changes could result in an overall price increase to Intermountain Gas’ RS-1, RS-2, GS-1 and LV-1 customers and a decrease to Intermountain Gas’ T-1 and T-2 customers.

YOU ARE FURTHER NOTIFIED that Intermountain Gas seeks to increase the Weighted Average Cost of Gas (WACOG) to 0.50305 per therm, up from \$0.32000 per therm currently included in the Company’s tariffs. *See* Order No. 29068, Case No. INT-G-02-3. The Company’s Application represents in general that the current forecast for market prices for natural gas dictate that the WACOG be established at \$0.50305 per therm. However, the Company states that forward market prices for natural gas are subject to fluctuations. Accordingly, the Company has represented that it will remain vigilant in monitoring natural gas prices and is committed to file an application with the Commission prior to this winter’s heating season should those forward prices materially deviate from this WACOG.

YOU ARE FURTHER NOTIFIED that the Company proposes to implement the following permanent adjustments and temporary surcharges to its tariff rates for natural gas service and sales:

Permanent Adjustments:

- | | |
|--|--------------|
| • INT-G-02-3 Elimination of Temporary Surcharges/Credits | \$10,163,440 |
| • WACOG Adjustment | \$47,034,183 |

Temporary Surcharges or Credits:

- | | |
|--|---------------|
| • Fixed Cost Collection Adjustment | \$2,217,435 |
| • Uncollected Gas Costs in Account 186 | \$4,427,982 |
| • Market Segmentation | (\$2,366,437) |
| • Miscellaneous Gas Costs & True Ups | (\$504,575) |

YOU ARE FURTHER NOTIFIED that the total incremental revenue requested by Intermountain Gas Company during the 2003-2004 PGA period is \$60,972,028 or 37.76%. The following tables represent Intermountain Gas' proposed changes in rates per customer class.

| Customer Class | Revenue | Proposed Average Increase \$/Therm | Proposed Average Increase % Change | Proposed Average Price \$/Therm |
|----------------------|-------------|---|---|---------------------------------------|
| RS-1 Residential | 33,384,066 | 0.23826 | 33.44% | 0.95075 |
| RS-2 Residential | 108,992,880 | 0.23129 | 37.90% | 0.84164 |
| GS-1 General Service | 74,025,514 | 0.23886 | 42.49% | 0.80100 |
| LV-1 Large Volume* | 2,089,088 | 0.22058 | 53.91% | 0.62976 |

T-1 Tariff price plus the Weighted Average Cost of Gas (WACOG) \$0.50305 per therm
WACOG = total commodity cost of gas / total purchase therms

| Transportation | Revenue | Proposed Average Increase \$/Therm | Proposed Average Increase % Change | Proposed Average Price \$/Therm |
|--------------------|-----------|---|---|---------------------------------------|
| T-1 Transportation | 3,338,014 | (0.00421) | -4.22% | 0.09554 |
| T-2 Transportation | 602,291 | (0.00024) | -0.89% | 0.02672 |

Intermountain Gas proposes to allocate the change in rates to each of its customer classes in accordance with its Purchased Gas Cost Adjustment tariff and approved cost-of-service methodology. *See* Case Nos. INT-G-95-1, INT-G-88-2, U-1034-137. Because there are no fixed costs currently recovered in the tail block of Intermountain Gas' T-1 tariff and because the proposed decrease in the T-1 tariff is related to fixed costs, a cents-per-therm decrease is made only to the first two blocks of the T-1 tariff. The proposed T-1 tariff filed with this Application eliminates that portion of the tariff applicable to therms used as feedstock in the production of ammonia. The Company states that due to the recent closure of the J.R. Simplot Ammonia Production Plant in Pocatello, Idaho, there are no customers within the Intermountain Gas service territory using natural gas as a feedstock in the production of ammonia. The proposed decrease in the T-2 tariff is related to fixed cost and, therefore, a cents-per-therm decrease was made only to the T-2 demand charge.

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YOU ARE FURTHER NOTIFIED that Intermountain Gas contends that its earnings will not increase as a result of the proposed changes in rates for natural gas service.

YOU ARE FURTHER NOTIFIED that the Company's Application to increase its rates is merely a proposal subject to public review and Commission approval.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter and Intermountain Gas Company, a gas utility, pursuant to the authority and power granted under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

PUBLIC WORKSHOPS AND HEARINGS

YOU ARE HEREBY NOTIFIED that the Commission has scheduled three **public workshops and hearings** in this matter in:

- **Boise on Wednesday, May 28, 2003**, at the Idaho Public Utilities Commission Hearing Room located at 472 West Washington Street. The public workshop will begin at 6 p.m. and the public hearing will begin at 7 p.m.
- **Idaho Falls on Wednesday, June 4, 2003**, at the Idaho Falls Council Chambers located at 140 Capital. The public workshop will begin at 6 p.m. and the public hearing will begin at 7 p.m.
- **Twin Falls on Thursday, June 5, 2003**, at the Twin Falls Council Chambers located at 305 3rd Avenue East. The public workshop will begin at 6 p.m. and the public hearing will begin at 7 p.m.

The public workshops will offer the public an opportunity to meet with the Commission Staff, ask questions and receive information. Following each workshop, a hearing examiner appointed by the Commission will conduct a hearing to obtain public testimony on Intermountain Gas Company's Application.

YOU ARE FURTHER NOTIFIED that all hearings will be conducted pursuant to the Rules of Procedure adopted by the Idaho Public Utilities Commission. IDAPA 31.01.01.000 *et seq.*

YOU ARE FURTHER NOTIFIED that all workshops and hearings in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act. In order to participate, persons needing the help of a sign language interpreter or other assistance may ask the Commission to provide a sign language interpreter or other assistance as required under the Americans with Disabilities Act. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, ID 83720-0074
(208) 334-0338 (TELEPHONE)
(208) 334-3762 (FAX)
E-mail: secretary@puc.state.id.us

NOTICE OF MODIFIED PROCEDURE/COMMENT DEADLINES

YOU ARE FURTHER NOTIFIED that Intermountain Gas requests that its Application be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. See Commission Rules of Procedure, IDAPA 31.01.01.201-204. The Company has requested an effective date of July 1, 2003.

YOU ARE FURTHER NOTIFIED that in addition to the public workshops and hearings, the Commission solicits written comments regarding the requested rate increase. Any person desiring to state a position on Intermountain Gas' proposed rate increase may file a **written comment** with the Commission no later than **Friday, June 13, 2003**. See IDAPA 31.01.01.202.

YOU ARE FURTHER NOTIFIED that Intermountain Gas Company may file reply comments no later than **Tuesday, June 17, 2003**.

YOU ARE FURTHER NOTIFIED that written comments concerning this Application must be mailed to the Idaho Public Utilities Commission and the Intermountain Gas Company at the following addresses:

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COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST
BOISE, ID 83702-5983

MICHAEL E. HUNTINGTON
VICE PRESIDENT
MARKETING & EXTERNAL AFFAIRS
INTERMOUNTAIN GAS COMPANY
PO BOX 7608
BOISE, ID 83707
E-mail: customerinput@intgas.com

MORGAN W. RICHARDS, JR., ESQ.
MOFFATT, THOMAS, BARRETT, ROCK &
FIELDS, CHARTERED
PO BOX 829
BOISE, ID 83701

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the e-mail address listed above.

YOU ARE FURTHER NOTIFIED that the Application in Case No. INT-G-03-1 together with accompanying exhibits and workpapers can be reviewed at the Commission's office and at the principal office of Intermountain Gas Company during regular business hours. Intermountain Gas Company is located at 555 South Cole Road in Boise, Idaho (377-6000). The Application and testimonies (excluding exhibits) are also available on the Commission's Website at www.puc.state.id.us under the "File Room" icon.

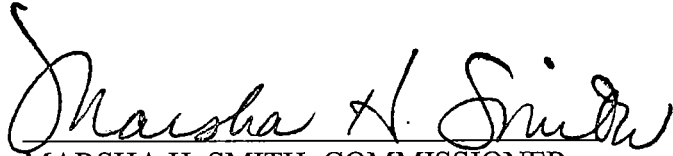
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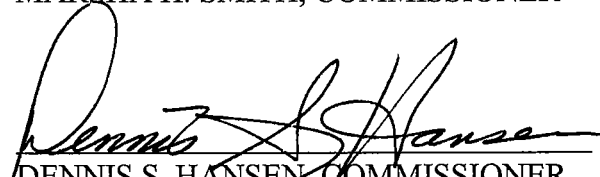
IT IS HEREBY ORDERED that the foregoing schedule be adopted.

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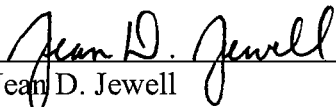
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *14th*
day of May 2003.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

O:INTG0301_jh

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